



SIDLEY AUSTIN LLP  
1501 K STREET, N.W.  
WASHINGTON, D.C. 20005  
(202) 736 8000  
(202) 736 8711 FAX

thynes@sidley.com  
(202) 736-8198

BEIJING	GENEVA	SAN FRANCISCO
BRUSSELS	HONG KONG	SHANGHAI
CHICAGO	LONDON	SINGAPORE
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FOUNDED 1866

September 20, 2006

The Honorable Vernon Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423

Re: Ex Parte No. 661, Rail Fuel Surcharges

Dear Secretary Williams:

Pursuant to the Decision served by the Board in the above-captioned proceeding on August 3, 2006 (the "*August 3 Decision*"), Canadian Pacific Railway Company and its U.S. subsidiaries, Soo Line Railroad Company and Delaware and Hudson Railway Company, Inc., (collectively "CPR") hereby submit their initial Monthly Report of Fuel Cost, Consumption and Fuel Surcharge Revenues ("Monthly Fuel Report"). The attached Monthly Fuel Report relates to the month of August 2006.

CPR's Monthly Fuel Report includes the following information with respect to CPR's United States operations: Total fuel expense (Item #1); Gallons of fuel consumed (Item #2); Increased (Decreased) cost of fuel from prior month (Item # 2A); and Ton-miles of revenue freight – road service (Item # 7). CPR does not maintain the information requested by Items 3, 4, 5 and 6 in the normal course of business. Moreover, CPR does not currently have in place information systems that would enable it to generate the requested information.

The majority of the rail traffic handled by CPR in the United States moves over portions of CPR's lines in both the United States and Canada. Such movements include traffic moving from a point in Canada to a point in the United States; traffic moving from a point in the United States to a point in Canada; traffic moving between points in Canada via the United States; and traffic moving between points in the United States via Canada. CPR does not maintain segmented information relating to the amount of fuel surcharge revenue attributable to the United States and Canadian portions of such cross-border traffic. Nor does CPR maintain information relating to the portion of its traffic (on a ton-mile basis) to which a fuel surcharge is applied. CPR's current information systems are not capable of segmenting such information for its U.S. operations. CPR likewise does not currently have systems in place to capture the amount of fuel surcharge revenue collected by CPR, and shared with connecting Class II or Class III railroads, in connection with interline shipments involving those carriers. As CPR will explain in its Comments to be filed on October 2, 2006, the proposed regulations would require CPR to develop new systems to capture that information. Such systems cannot be designed until the Board issues final regulations defining the specific fuel cost, fuel consumption and fuel surcharge information that CPR will be required to report in the future.

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The Honorable Vernon Williams

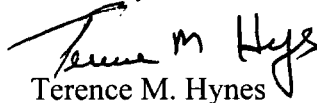
September 20, 2006

Page 2

CPR also allocates certain expense items between its United States and Canadian operations for tax and accounting purposes, in compliance with applicable tax regulations. However, not all of the items requested by the Board are presently allocated between CPR's United States and Canadian operations. The transnational nature of CPR's operations, and the current lack of information systems capable of capturing such data separately for CPR's U.S. operations, makes it impossible for CPR to provide all of the requested information at this time.

The attached Monthly Fuel Report is submitted in response to the Board's request that carriers provide such information on a voluntary basis pending issuance of final regulations, and is without prejudice to CPR's right to object to portions of the proposed regulations in its October 2, 2006 Comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Terence M. Hynes", with a stylized flourish at the end.

Terence M. Hynes

TMH:aat  
Enclosure

**CANADIAN PACIFIC RAILWAY**

**MONTHLY REPORT OF**

**FUEL COST, CONSUMPTION AND FUEL SURCHARGE REVENUES**

**FOR THE MONTH OF AUGUST, 2006<sup>1</sup>**

**Instructions**

The report shall contain data for on the current month only. Cost and revenues are defined as accrued or earned this month. The report shall be filed with the Surface Transportation Board on or before 20 days after the end of the month.

LINE NO	Report all data in thousands (a)	(b)
1	Total fuel <sup>2</sup> ( <i>thousands US dollars</i> )	\$11,188
2	Gallons of fuel consumed ( <i>thousands US gallons</i> )	4,306
2A	Increased or decreased cost of fuel <sup>3</sup> ( <i>thousands US dollars</i> )	\$578
3	Revenue from fuel surcharges <sup>4</sup>	
4	Revenue from fuel surcharges collected on joint shipments with Class II and III railroads	
5	Revenue reported in line 4 from fuel surcharges shared with Class II and III railroads	
6	Ton-miles of freight revenue - road service fuel surcharge applied to <sup>5</sup>	
7	Total ton-miles of freight revenue — road service ( <i>thousands RTMs</i> )	2,361,497

<sup>1</sup> The data set forth in this report includes only CPR's United States operations (Soo Line Railroad Company and Delaware and Hudson Railway Company, Inc.). It does not include CPR's Canadian operations and is therefore not complete.

<sup>2</sup> Includes fuel consumed for freight, yard and work train locomotives, but not passenger locomotives. Show cost of fuel charged to train and yard service (function 67-Loco.Fuels). The data set forth above does not include all other fuel used for railroad operations and maintenance, including motor vehicles and power equipment not charged to function 67-Loco.Fuels.

<sup>3</sup> Show the total increase or decrease in fuel cost over previous month. That is, the average per unit increased or decreased cost times the number of unit used.

<sup>4</sup> Show the total revenue from fuel surcharges.

<sup>5</sup> Show the revenue tons to which the fuel surcharge was applied.